

Idaho Legislative Audits  
P.O. Box 83720  
Boise, ID 83720-0054  
208-334-2475



## Idaho Commission on Aging

### Management Report on Financial Procedures

Issued: January 17, 2005  
Fiscal Year: 2001, 2002, 2003, and 2004



## EXECUTIVE SUMMARY LEGISLATIVE AUDITS

---

### IDAHO COMMISSION ON AGING

---

**PURPOSE AND SCOPE** – We have completed certain financial audit procedures on the Idaho Commission on Aging's financial activities that occurred during the fiscal years ended June 30, 2001, 2002, 2003, and 2004. These procedures, together with procedures performed at other State agencies, allow us to express our opinion on the statewide basic financial statements prepared by the State Controller's Office. Since a major federal program was present, appropriate procedures and required tests were made in order to issue the federally required *Single Audit Report*.

**CONCLUSION** – Based on the limited procedures applied, we conclude that the financial operations of the Commission meet acceptable standards. Further, the Commission substantially complies with laws, regulations, rules, grants, and contracts for which we tested compliance. Although the report contains no new findings and recommendations, we made other minor suggestions to improve internal control, ensure compliance, and improve efficiency.

**FINDINGS AND RECOMMENDATIONS** – There are new no findings and recommendations included in this report.

**PRIOR FINDINGS AND RECOMMENDATIONS** – There were four findings and recommendations in the prior report for fiscal year 2000 and two in the federal review completed in 2001. All the findings and recommendations are closed.

**Prior Finding #2000-1** – The Commission exceeded the 15% limit for administrative costs in the Senior Community Service Employment Program. The federal *OMB Circular A-133* compliance supplement requires that the Commission's administrative costs associated with this grant not exceed 15% of the amount of federal funds expended during the program year. The final financial report submitted to the U.S. Agency on Aging showed 17% of federal expenditures were spent on administrative costs. This resulted in \$7,420 of unallowable administrative costs charged to the grant. We recommended that the Commission more closely monitor administrative costs and total grant expenditures to ensure compliance. We reviewed additional financial reports and found that the Commission is more closely monitoring the amounts spent for administration to ensure compliance with the grant requirements. **Status – CLOSED**

**Prior Finding #2000-2** – Cash draws were not completed in compliance with federal regulations. Federal regulation *OMB Circular A-133* requires state agencies to minimize cash balances. Further, the timing and amount of cash advances should be as close as administratively feasible to the actual disbursements for direct program costs. The Commission requested funds without expending the funds for several months. We recommended that the Commission request federal funds in compliance with *OMB Circular A-133* regulations. The Commission now maintains a small federal cash balance and matches federal expenditures to the money requested in a reasonable time frame. **Status – CLOSED**

**Prior Finding #2000-3** – Personnel costs allocated to federal grants were not always based on actual time spent, as required by OMB Circular A-87. OMB Circular A-87 requires that costs charged to federal programs must be based on actual time worked or another reasonable form of allocation. These regulations also allow for budget estimates or other distribution percentages only for interim accounting purposes, but they do not qualify as standard support for charges to the federal award. The method for allocating payroll costs to federal grants was based on a budget percentage rather than on actual time worked. Activity reports are the preferred documentation for time allocation to federal awards; however, other methods may be allowable, such as random-moment sampling, case counts, or other quantifiable measures of employee effort. We recommended that the Commission select one of the above methods to allocate payroll costs to the federal awards. The Commission now properly documents allowable methods to allocate personnel costs to grants. **Status – CLOSED**

**Prior Finding #2000-4** – The Commission needed to improve expenditure and work-time documentation. Several expenditures did not have documentation of authorization or approval before payment was made. We also found instances where employees used vacation time, or accrued compensatory time, without evidence of prior approval from a supervisor. We recommended that all expenditures be approved prior to payment and that vacation time used and overtime worked be approved in advance. The Commission has improved documentation to provide appropriate evidence of authorization and review of expenditures. **Status – CLOSED**

**Finding #2001-1** – The Commission was not properly reporting federal outlays in its semiannual financial status report (SF 269) as required by federal regulation OMB Circular A-133. Federal regulations contained in the A-102 Common Rule define federal outlays to include "the amount of cash advances and payments made to contractors and subgrantees." The first semiannual SF 269 report for the federal fiscal year 2001 grant reported federal outlays of \$830,517. Supporting accounting reports showed expenditures of \$1,156,776, a difference of \$326,259. The Commission indicated that the difference was due to advanced funds to subgrantees. We recommended that the Commission comply with reporting requirements, as outlined in OMB Circulars A-102 and A-133. Currently, payments to subgrantees are reported in accordance with instructions provided by the cognizant agency for these grants. **Status – CLOSED**

**Finding #2001-2** – Some reimbursements to subgrantees did not agree with the underlying expenditure reports submitted to the Commission for reimbursement. Two monthly expenditure reports submitted by subgrantees were not reimbursed at the reported amounts. This resulted in an over-reimbursement of \$4,992 and an under-reimbursement of \$12,497. A contributing factor in these errors is the lack of proper review and segregation of duties in order to provide an independent examination of the transactions before they are processed.

Additionally, the Commission made two adjustments to move expenditures previously charged under one subcategory to another subcategory without following proper guidelines or properly documenting the transaction. Commission staff stated the transfers were either a correction of a coding error or an adjustment for a subgrantee overspending the award amount.

We recommended that the Commission segregate duties and provide proper review and support for transactions before they are processed. The Commission has effectively implemented a process in which the grant analyst reviews the subgrantee requests for payment and forwards them to the senior accountant for coding and entry to the accounting system. The final transaction is approved by another employee. **Status – CLOSED**

**AGENCY RESPONSE.** The Commission has reviewed the report and is in general agreement with its contents.

**FINANCIAL SUMMARY.** The procedures completed and described above help us express our opinion on the fairness of presentation of the *Statewide Comprehensive Annual Financial Report (CAFR)*. Although no opinion is given on the financial data presented in this report, one is given on all State funds in the *CAFR*, including the financial data presented here.

During fiscal year 2004, the Commission expended \$872,291 for personnel costs, \$289,330 for operating costs, \$5,805 for capital outlay, and \$9,958,940 for trustee and benefit payments from the three funds the Commission utilizes.

The Commission is funded by two major sources – the General Fund (\$4.5 million) and the Federal Fund (\$7 million). The Commission expends most of these funds to reimburse area agencies on aging throughout the State. These agencies provide congregate meals, transportation, ombudsmen, and various other services to help older citizens remain independent.

### **IDAHO COMMISSION ON AGING – FINANCIAL SUMMARY**

<b>Fiscal Year 2001</b>	General Fund 0001	Federal Fund 0348	Miscellaneous Revenue Fund 0349	Total
Beginning Fund Balance/Appropriations	\$3,939,000	\$7,167	\$13,078	\$3,959,245
Receipts	3,000	5,523,787	20,274	5,547,061
Total Funds Available	\$3,942,000	\$5,530,954	\$33,352	\$9,506,306
Disbursements	3,942,000	5,474,469	15,747	9,432,216
Ending Free Fund Balance/Reversion	\$0	\$56,485	\$17,605	\$74,090

  

<b>Fiscal Year 2002</b>	General Fund 0001	Federal Fund 0348	Miscellaneous Revenue Fund 0349	Total
Beginning Fund Balance/Appropriations	\$4,779,600	\$56,485	\$17,605	\$4,853,690
Receipts	(3,000)	6,199,385	22,983	6,219,368
Total Funds Available	\$4,776,600	\$6,255,870	\$40,588	\$11,073,058
Disbursements	4,774,569	6,254,813	23,567	11,052,949
Ending Free Fund Balance/Reversion	\$2,031	\$1,057	\$17,021	\$20,109

  

<b>Fiscal Year 2003</b>	General Fund 0001	Federal Fund 0348	Miscellaneous Revenue Fund 0349	Total
Beginning Fund Balance/Appropriations	\$4,468,300	\$1,057	\$17,021	\$4,486,378
Receipts	0	7,077,731	6,000	7,083,731
Total Funds Available	\$4,468,300	\$7,078,788	\$23,021	\$11,570,109
Disbursements	4,439,291	7,073,554	5,455	11,518,300
Ending Free Fund Balance/Reversion	\$29,009	\$5,234	\$17,566	\$51,809

  

<b>Fiscal Year 2004</b>	General Fund 0001	Federal Fund 0348	Miscellaneous Revenue Fund 0349	Total
Beginning Fund Balance/Appropriations	\$4,481,400	\$5,234	\$17,566	\$4,504,200
Receipts	0	6,966,062	37,736	7,003,798
Total Funds Available	\$4,481,400	\$6,971,296	\$55,302	\$11,507,998
Disbursements	4,145,146	6,971,148	10,072	11,126,366
Ending Encumbrances	336,245	0	0	336,245
Ending Free Fund Balance/Reversion	\$9	\$148	\$45,230	\$45,387

**OTHER ISSUES.** We discussed other, less important issues which, if changed, would improve internal control, ensure compliance, or improve efficiency.

This report is intended solely for the information and use of the Commission on Aging and the Idaho Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation and assistance given us by the administrator and her staff.

**QUESTIONS CONCERNING THIS DOCUMENT SHOULD BE DIRECTED TO:**

Ray Ineck, CGFM, Supervisor, Legislative Audits

Eugene Sparks, CPA, CGFM, Managing Auditor

Report SA18704/IC18703

<p>For a copy of the entire audit report , contact Legislative Services Office, Audit Division, State Capitol Building, 700 W. Jefferson Street, P.O. Box 83720, Boise, Idaho 83720-0054, or call 208-334-3540.</p>
---